

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LONGVIEW LAND)	
COMPANY, LLC FOR AN ADJUSTMENT OF)	CASE NO.
RATES PURSUANT TO THE ALTERNATIVE)	2004-00078
RATE FILING PROCEDURE FOR SMALL)	
UTILITIES)	

ORDER

On April 14, 2004, Longview Land Company, LLC ("Longview") filed its application for Commission approval of proposed sewer rates. Commission Staff, having performed a limited financial review of Longview's operations, has prepared the attached Staff Report containing Staff's findings and recommendations regarding the proposed rates. All parties should review the report carefully and provide any written comments or requests for a hearing or informal conference no later than 10 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have no more than 10 days from the date of this Order to provide written comments regarding the attached Staff Report or requests for hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 3rd day of May, 2004.

By the Commission

ATTEST:


Executive Director

STAFF REPORT
ON
LONGVIEW LAND COMPANY, LLC
CASE NO. 2004-00078

Pursuant to a request by Longview Land Company, LLC ("Longview") for assistance with the preparation of a rate application, Commission Staff ("Staff") performed a limited financial review of Longview's test year operations, the calendar year ending December 31, 2002. The scope of Staff's review was limited to obtaining information as to whether the test period operating revenues and expenses were representative of normal operations. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

Upon completion of the review, Staff assisted Longview in the development and preparation of a rate application. The application included a pro forma income statement wherein adjustments were made to test year operating revenues and expenses that were known and measurable and deemed to be reasonable.

On April 14, 2004, Longview filed its rate application for the Commission's consideration. Staff is hereby adopting the contents of the application as its recommendation in this report as if fully set out herein. Jessamyn Helton is responsible for all revenue adjustments and calculation of the proposed rates. Scott Lawless is responsible for the determination of the revenue requirement.

The rates proposed by Longview were based on the pro forma income statement as shown in Attachment A of the application and again in this report at Attachment B. Attachment B of the application details the calculation of revenue required from rates of

\$55,938, an increase of \$16,698 or 42.5 percent over test year normalized revenues from rates of \$39,240. The proposed rates increase Longview's monthly flat rate from \$15 to \$21.38, an increase of 42.5 percent.

Staff has reviewed the application and other documents upon which the application was based. It finds that the proposed revenue requirement of \$55,938 will allow Longview to meet its adjusted operating expenses and that the proposed rate of \$21.38 will generate annual revenues of \$55,938. The rate proposed by Longview and attached hereto as Attachment A is reasonable and should be approved by this Commission.

Signatures

Prepared by: Jack Scott Lawless, CPA
Financial Analyst, Water and Sewer
Revenue Requirements Branch
Division of Financial Analysis

Prepared by: Jessamyn Helton
Rate Analyst, Communications, Water,
and Sewer Rate Design Branch
Division of Financial Analysis

ATTACHMENT A
STAFF REPORT CASE NO. 2004-00078
STAFF'S RECOMMENDED RATES

Monthly Single Family Residential Sewer Charge	\$21.38
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ATTACHMENT B
STAFF REPORT CASE NO. 2004-00078
ADJUSTED OPERATING STATEMENT

	Test Year	Adjustments	Pro forma
Operating Revenue			
Revenue from Flat Sewer Rates	\$ 35,868	\$ 3,372	\$ 39,240
Total Operating Revenue	<u>35,868</u>	<u>3,372</u>	<u>39,240</u>
Operating Expenses			
Operation and Maintenance			
Other Expenses	14,891		14,891
Sludge Hauling	1,215	1,080	2,295
Utility Service Water Costs	6,641	(308)	6,333
Other Labor, Materials and Expenses	8,186	(1,853)	6,333
Chemicals	6,828		6,828
Maintenance of Structures and Improvements	7,357	(4,437)	2,920
Uncollectible Accounts	5,000	(5,000)	-
Owner Manager Fee		3,600	3,600
Office Supplies and Other Expenses	730	3,470	4,200
Outside Services Employed	1,300		1,300
Insurance Expense	1,392	(1,392)	-
Maintenance of General Plant	1,025	(1,025)	-
Total Operation and Maintenance Expenses	54,565	(5,865)	48,700
Depreciation	22,881	(22,881)	-
Taxes Other Than Income	2,496	(1,970)	526
Total Operating Expenses	<u>79,942</u>	<u>(30,716)</u>	<u>49,226</u>
Net Operating Income	<u>\$ (44,074)</u>	<u>\$ 34,088</u>	<u>\$ (9,986)</u>